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James K. Smith
Director
Federal Relations

April 29, 1997

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APR 29 1997

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

Federal Communications Commission
Office of Secretary

RE: **Ex Parte Statement**
 CC Docket No. 95-116
 Local Number Portability

Dear Mr. Caton:

On April 28, 1997, Mr. Nelson Ledbetter, Mr. Brian Baldwin, Mr. Terry Appenzeller, Ms. Carol Graczyk and I met with Mr. Lenworth Smith, Mr. Pat Donovan, Mr. John Scott, Mr. Neil Fried and Mr. Lloyd Collier, all of the Competitive Pricing Division, to discuss Ameritech's position in the above referenced proceeding. The attached material was used as part of our discussion.

Sincerely,

Attachment

cc: Mr. L. Smith
 Mr. P. Donovan
 Mr. J. Scott
 Mr. N. Fried
 Mr. L. Collier

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Local Number Portability

Cost Recovery

April 28, 1997

Ameritech Local Number Portability Costs and Recovery of Them

Agenda:

- o **Current View of Ameritech's LNP Costs**
 - **Major Categories**
 - **Costs**

- o **Review of LNP Query Scenarios**
 - **Ameritech Queries**
 - **Queries for Others**
 - **Default Queries**

- o **LNP Cost Recovery**
 - **Wholesale Queries**
 - **Retail Queries**

Local Number Portability Cost Elements

- o Number Portability Administration Center (NPAC)
- o SCP/SMS
- o STP Ports/Translations
- o STP GTT Hardware and Software
- o End Office Hardware/Software
- o Tandem Office Hardware/Software
- o Processor Utilization Charges
- o LIDB Modifications
- o DBAS Modifications
- o Operator Office Hardware/Software
- o NPAC - SOAC Gateway
- o OSS Hardware/Software
- o SS7 Test Equipment
- o System Integration Lab Modifications
- o Bellcore
- o Telco Labor
- o SS7 Link Monitoring

Ameritech Local Number Portability Costs - Current View

	<u>1997</u>	<u>1998</u>	<u>1999</u>
Total	\$165.5M	\$85.2M	\$30.0M

Major Items

- o OSS Related \$99.0M**
- o End Office/Tandem \$68.6M**
- o Telco Labor \$37.7M**
- o STP/SCP \$32.9M**
- o NPAC \$16.5M**
- o LIDB, Operator Svcs, Test Equipment, SIL, Misc. \$26M**

Note: Ameritech query costs only; does not include costs for LNP queries for other carriers.

Ameritech Local Number Portability Costs

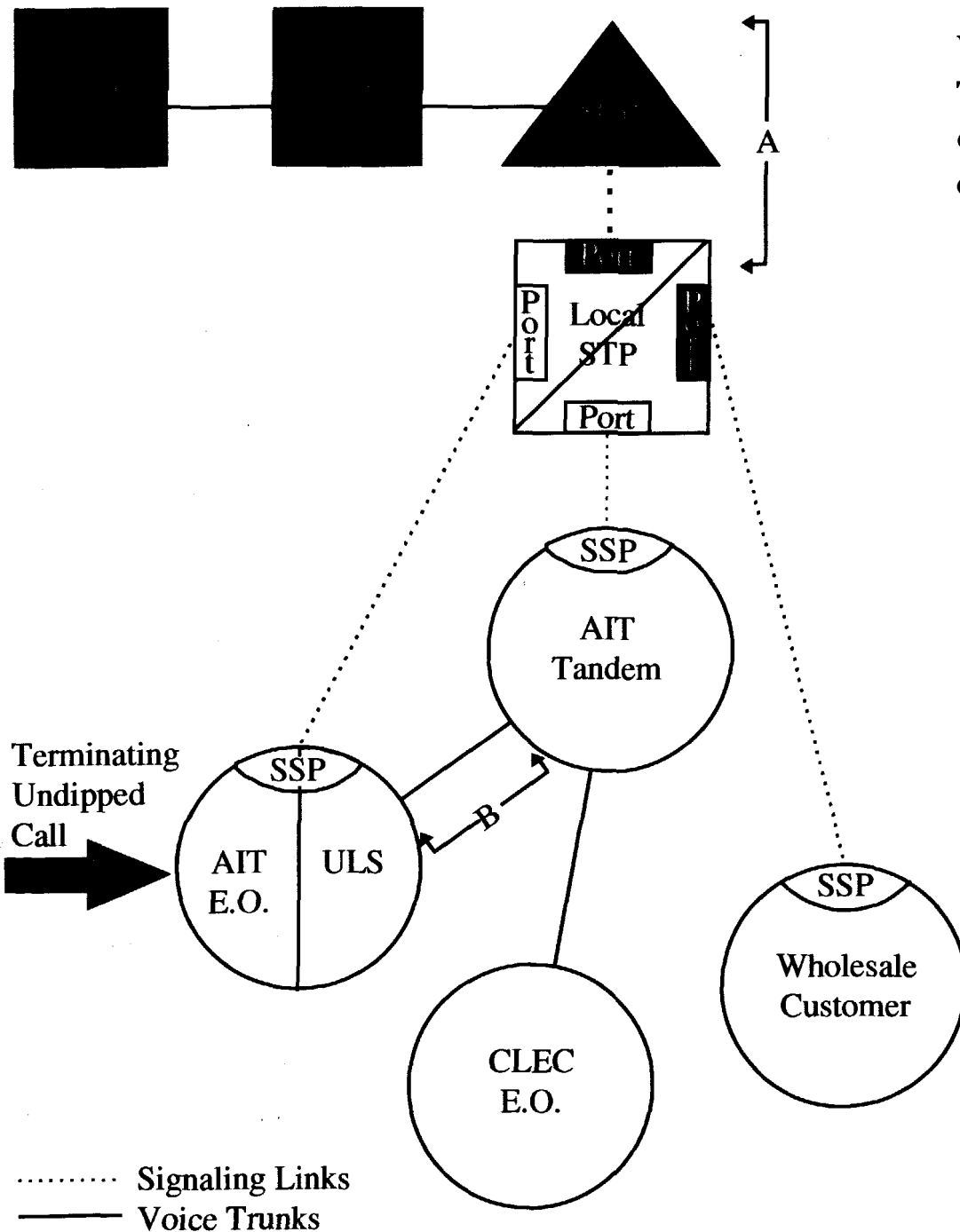
- o Preliminary cost study**

- \$136 Million in LNP costs per year for the next 3 years**
- 25 Billion Ameritech LNP queries per year for the next 3 years**

Local Number Portability Query Scenarios

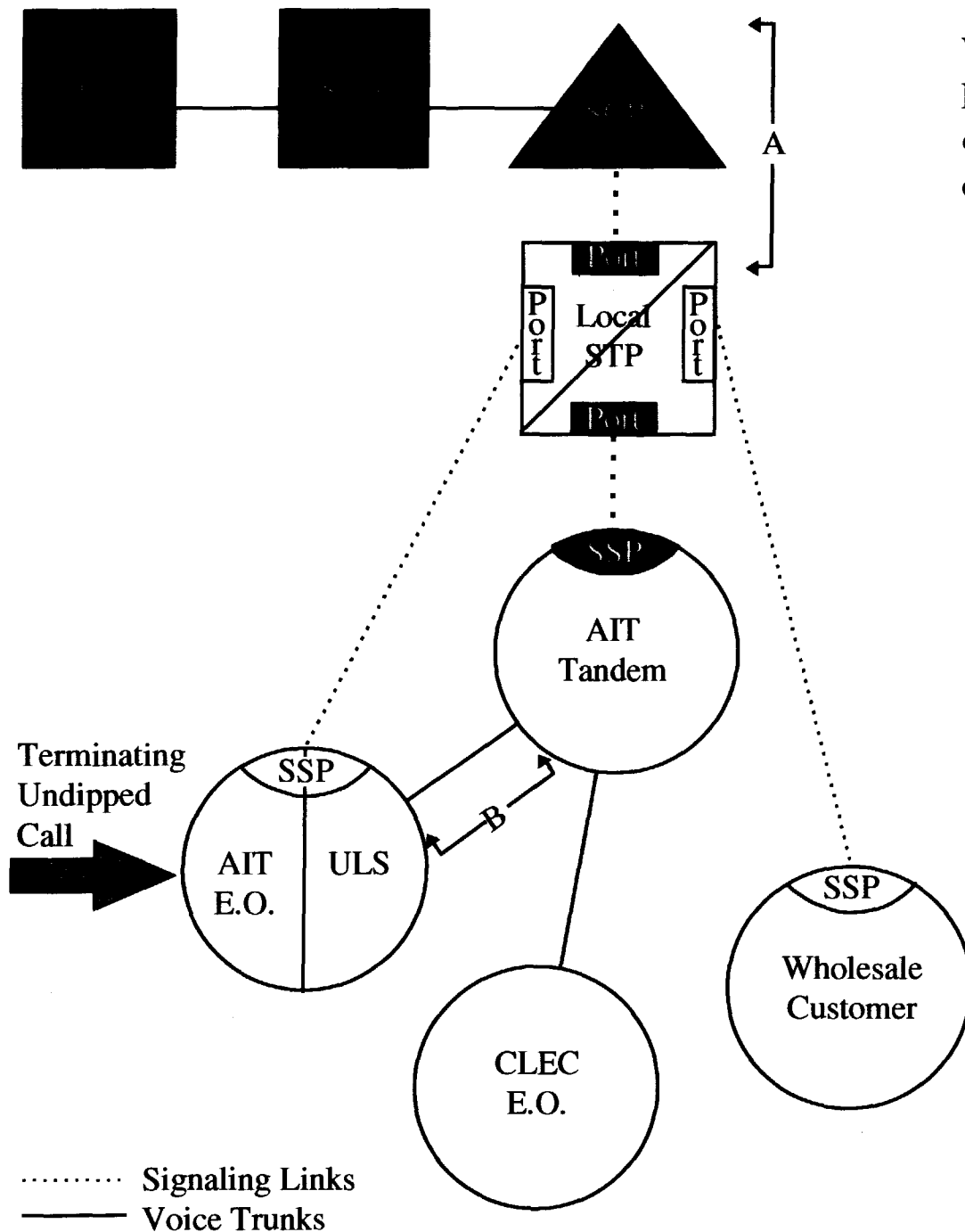
Wholesale Rate Elements

- o LNP Call Routing - Tandem
- o LNP Call Routing - End Office
- o LNP LEC ID



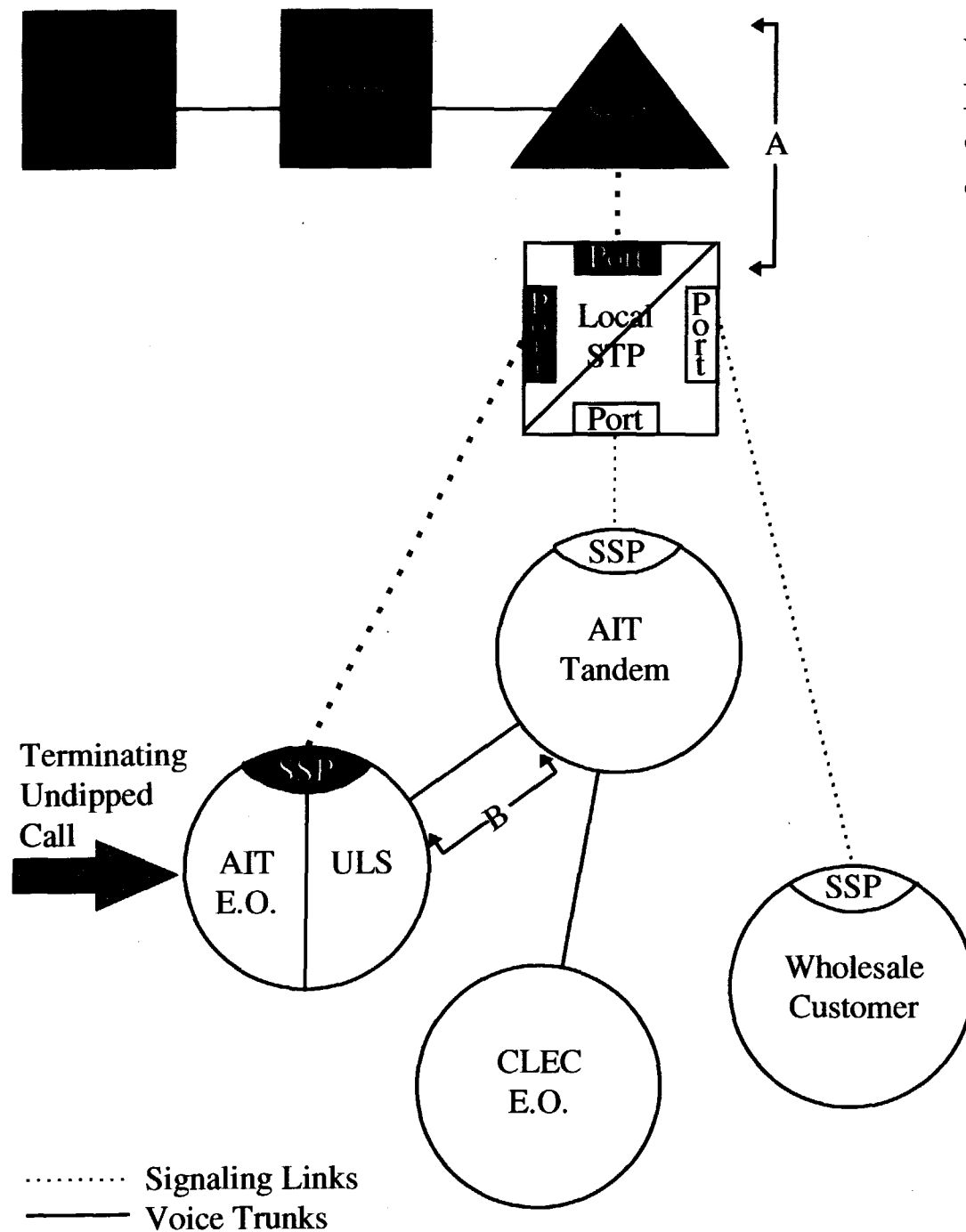
Wholesale customer provides SSP and SS7 Transport

- Unbundled STP Port
- LNP LEC ID, STP Port, SCP DNAL, SCP, SMS and NPAC



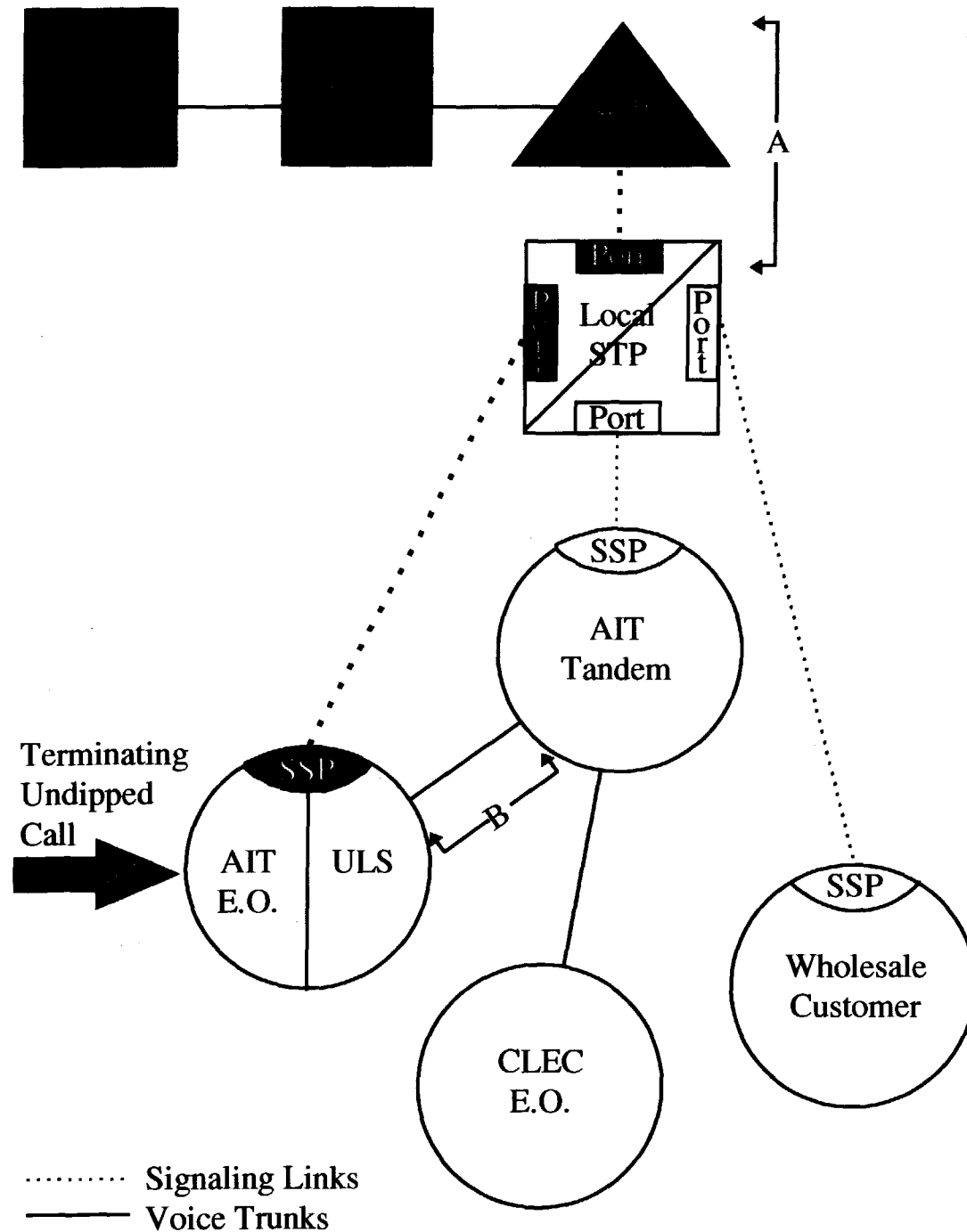
Wholesale customer purchases LNP Call Routing at a Tandem Switch

- LNP Call Routing - Tandem
- SSP, Signal Transport, STP Switching, STP Port, SCP DNAL, SCP, SMS and NPAC



Wholesale customer purchases LNP Call Routing at an End Office

- LNP Call Routing - End Office
- SSP, Signal Transport, STP Switching, STP Port, SCP DNAL, SCP, SMS, NPAC and Backhaul



Unbundled Local Switching Customer

- LNP Call Routing - Tandem
- SSP, Signal Transport, STP Switching, STP Port, SCP DNAL, SCP, SMS and NPAC

Recovery of the Costs for Queries of Ameritech End Users

- o Competitively neutral recovery of LNP costs not possible without Commission action.**
- o Existing asymmetrical regulation denies Ameritech the same options and flexibility for recovery that other carriers have. Ameritech requires flexibility.**
- o Neither national pooling nor the status quo are the correct federal policy.**
- o Jurisdictional Issues**
 - Federal recovery**
 - State recovery**

Federal Responsibility

Section 251 (e)

The cost of establishing local number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission.

The Commission shall have exclusive jurisdiction...nothing in this paragraph shall preclude the Commission from delegating to State Commissions or other entities all or any portion of such jurisdiction.

Docket 95-116 @ Paragraph 223

One option would be to allow carriers the flexibility to recover their portability-specific costs from their customers in whatever manner the carrier chooses.

Federal Role:

- 1) Commission should declare that all LECs are entitled to recover the costs of implementing LNP**
- 2) Commission should identify eligible costs**
- 3) Commission should establish guidelines for the recovery of LNP costs**

State Responsibility

State Role: Implement state specific recovery plans consistent with federal guidelines

- o States have the necessary experience (e.g., 2 PIC recovery)**
- o States in best position to consider all options**
 - Understand local conditions**
 - Can provide necessary balance**
 - Can assess end user impact**
- o Results consistent with federal guidelines but uniquely designed to state specific circumstances**

Proposed LNP Cost Recovery Principles

- 1) LECs are entitled to recover the federally recognized costs of implementing LNP**
- 2) N-1 carriers, resellers, and purchasers of unbundled local switching that use LNP services should pay cost based rates**
- 3) LNP costs should be amortized for a period of 3 - 5 years**
- 4) Toll carriers should recover their LNP costs via toll revenues**
- 5) Federal principles on competitive neutrality must be adhered to by the states**
- 6) Once long term number portability is implemented, carriers continuing to use "interim" LNP should pay retail rates**

Summary

- o **The majority of LNP costs are intrastate**
- o **Competitive neutrality requires equivalent "flexibility" for Ameritech to recover its LNP costs from its customers**
- o **The Commission must declare that carriers are entitled to recover their LNP specific costs in order to achieve such flexibility**
- o **Federal guidelines are the appropriate means to ensure consistency and to provide the necessary flexibility to accomodate state specific circumstances**